

Chapter Six: Banking and Business

The scarcity of money for the development of business, exemplified by the financial difficulties of the builders of the Madison and Indianapolis railroad, made banking important to the growth of Madison. Between 1814 and 1860, Madison had four commercial banks--the Farmers and Mechanics' Bank, the Madison Branch of the State Bank of Indiana, the Indiana Bank, and the Madison Branch of the Bank of the State of Indiana. Two insurance banks--the Madison Insurance Company and the Firemen and Mechanics' Insurance Company--also operated in Madison in the antebellum period. The Madison Branch of the State Bank of Indiana achieved the greatest success, but the other banks also served the community well. None of the antebellum Madison commercial banks failed or suffered from "malfeasance, misfeasance, or merely administrative incompetence," maladies of so many antebellum western banks.¹ The Firemen and Mechanics' Insurance Company bank failed in 1856, but its depositors and shareholders lost only 25 cents on the dollar.² The success of Madison's banks had few parallels in the annals of antebellum banking in Indiana and fewer still in the West.

The territorial legislature, sitting at Corydon, chartered the Farmers and Mechanics' Bank in September 1814.³ Although it is uncertain when the bank began, it was some time before 1817, for in July of that year

¹George Rogers Taylor, The Transportation Revolution, 1815-1860 (New York, 1951), 337, 344, 359.

²Mss. Credit Reporting Ledger, 27.

³The Charter is in Louis B. Ewbank and Dorothy L. Riker, eds., The Laws of Indiana Territory 1809-1816 (Indianapolis, 1934), 747-54.

the bank paid an eight percent dividend.⁴ On March 20, 1817, the Farmers and Mechanics' Bank joined many other banks in the resumption of specie payment, which most banks outside New England had suspended by the autumn of 1814.⁵ Suspension had resulted from the flood of state bank notes that circulated following termination of the charter of the First Bank of the United States in 1811. The bank continued specie payment until 1818, when the refusal of the Jeffersonville Land Office to accept its currency forced suspension. John Sering, cashier of the Farmers and Mechanics' Bank, wrote in March 1819, "We have been caused much trouble and our customers and people much loss by the Bank of the United States not receiving our paper as payment. We are even with all branches of that bank and can give full evidence of our solvency."⁶

In 1817 the United States Treasury adopted a plan of keeping public deposits in state banks selected by the recently established Bank of the United States.⁷ The Vincennes Bank, chosen for that purpose in 1817, began foundering in 1820 under mismanagement and the business depression that had begun in 1819. Meanwhile the selection of banks to hold public deposits shifted to Secretary of the Treasury William Crawford, who wrote the Vincennes Bank in July 1820 complaining of failure to pay his drafts and notifying it that unless drafts were met and all surplus money turned over

⁴Madison Indiana Republican, July 12, 1817.

⁵Ibid., March 6, 1817.

⁶American State Papers, Finance (5 vols., Washington, 1832-1859), IV, 725.

⁷Ralph C. H. Catteral, The Second Bank of the United States (Chicago, 1968), 457-58.

within 40 days no further deposits would be made.⁸ Unable to meet this demand, the Vincennes Bank, which had become the parent unit of the First State Bank, received no more public deposits.

The Farmers and Mechanics' Bank succeeded the Vincennes Bank in this important function, retaining for a number of years sizeable federal deposits. In the autumn of 1820, through the good offices of congressman William Hendricks, a resident of Madison, and James Noble, United States senator from Indiana, who reported "its solvency and good management as well ascertained as that of any bank in the Western Country,"⁹ Crawford chose the Farmers and Mechanics' Bank at Madison as the depository for public money in Indiana. The Brookville, Indiana, Land Office deposited the sum of \$97,931 at Madison in October 1820. Between then and September 1822 an additional \$307,907 was paid into the bank.¹⁰ In 1822 the United States Treasury reported \$36,754 in public money still on deposit in the Farmers and Mechanics' Bank.¹¹ The bank continued to receive public money from the Brookville Land Office until 1823, but in 1824 Congress directed that all funds of the United States on deposit in state-chartered banks be

⁸American State Papers, Finance, III, 737; Ibid., IV, 747.

⁹Letters from the Treasury Department Accompanied with all the Correspondence between the Secretary and the Banks in which the Public Moneys were Deposited, Between the 1st of January, 1817, and the 8th of May, 1822, not heretofore communicated to the House of Representatives, U. S., House Document, No. 140, 18 Cong., 1 Sess. (serial 100), 531.

¹⁰Receiver's Journal, U. S. Land Office, Brookville Ledger, October 3, 1820, to September 20, 1822 (Archives Division, Indiana State Library), 260, 261, 280, 504.

¹¹American State Papers, Finance, III, 720.

withdrawn.¹² Fragmentary reports of the Secretary of the Treasury reveal that the Farmers and Mechanics' Bank retained federal deposits for several more years. On January 1, 1824, the Farmers and Mechanics' Bank had on deposit \$65,553.84 in Treasury funds; \$76,483.84 on February 24, 1825; and \$64,162.61 on February 19, 1827.¹³ As late as January 27, 1830, the Secretary of the Treasury reported to the Senate of the United States a list of banks still retaining public deposits and indicating "in what cases, such funds are safe, unsafe, or doubtful." The report said the funds in the Farmers and Mechanics' Bank at Madison were "safe" with a "balance still due of \$43,592.90."¹⁴ Shifts in amounts of government deposits suggest that the bank carried on business during these years, but must have ceased operation between January 1830 and September 27, 1832, when the Madison Indiana Republican announced that the Farmers and Mechanics' Bank was "about to start up again."¹⁵

President Andrew Jackson's veto of the bill renewing the charter of the Bank of the United States in July 1832 perhaps hastened the re-organization of the Farmers and Mechanics' Bank, but when it reopened is uncertain. A report compiled under direction of the clerk of the House

¹²"Report from the Secretary of the Treasury, In Compliance with a Resolution of the Senate, Relative to deposits in State Banks, and Banks of the District of Columbia," U. S., Senate Document, No. 40, 21 Cong., 1 Sess. (serial 192), 39.

¹³"Letters from the Treasurer of the United States," U. S. Senate Document, No. 45, 18 Cong., 2 Sess. (serial 111), 44, 86; "Letter from the Treasurer of the United States," U. S., Senate Document, No. 145, 19 Cong., 2 Sess. (serial 154), 92.

¹⁴"Report from the Secretary of the Treasury," 39-40.

¹⁵Madison Indiana Republican, September 27, 1832.

of Representatives in response to a resolution calling for a digest of returns of state-chartered banks, June 24, 1834, estimated that the Farmers and Mechanics' Bank then was in a healthy and stable condition. Nonetheless

Figure 1. Farmers and Mechanics' Bank, Madison, Indiana, 1834.

Dr.		Cr.	
To Capital Stock Paid in	\$150,000	By specie and specie funds	\$ 15,000
Notes or bills in circulation	75,000	Notes on bills of other banks	15,000
Profits, including surplus found &		Amount due from other Banks	20,000
Amount due other banks	20,000	Discount, including bills of exchange	200,000
Amount due depositors	20,000	Stocks	
	\$265,000	Real Estate	15,000
		Expenses	
			\$265,000

Source: "Abstracts, Returns, and Estimates of the Conditions of the Several State Banks," U. S., House Document, No. 498, 23 Cong., 1 Sess. (serial 259), 99.

efforts to renew the charter that expired on January 1, 1835 failed. In February 1835 the legislature "indefinitely postponed" the bill for extension of the charter.¹⁶ Since many of the bank's officers, including Lanier, its cashier, were officers and stockholders in the Madison Branch of the State Bank of Indiana, chartered in 1834, the business and resources of the Farmers and Mechanics' Bank were probably absorbed into the new bank. As late as June 1843 a bank note and exchange list reported the notes of the Farmers and Mechanics' Bank circulating at par, and presumably redeemed by the Madison Branch Bank.¹⁷

¹⁶ Madison Republican and Banner, February 7, 1835.

¹⁷ Ibid., June 7, 1843.

The circumstance of the Farmers and Mechanics' Bank as a depository of public money for virtually half of its chartered existence had implications for the economic development of Madison. The contract with the Secretary of the Treasury specifically entitled the bank to retain a "stipulated deposit" of \$40,000 for its use in payment for services rendered.¹⁸ Since the reported treasury deposits for the 1820s regularly exceeded this amount and even as late as 1830 amounted to more than \$43,000, it seems reasonable that the bank normally retained at least the minimum "stipulated deposit."

Such a large, stable deposit permitted the bank to expand its loans to local businessmen. Use of deposits as a basis for loans, and therefore for note issue, seems to have been fairly common prior to 1857.¹⁹ In 1831 the Clayton Committee minority report on banking, supposedly prepared with the help of Nicholas Biddle, stated that "The deposits, except in periods when all commercial confidence is lost, so far from being properly regarded as a debt for which the bank should make provision as for its circulation, are universally considered by all banks as a fund upon the faith of which they may safely issue their paper to an equal amount."²⁰ The charter of the Farmers and Mechanics' Bank provided that the "President and directors, or agents shall not exceed their engagements to a greater amount than twice

¹⁸Letters from the Secretary of the Treasury, In reply to a resolution of the House of Representatives, Requiring Information in Relation to the Banks in which the Moneys Arising From the Sales of the Public Lands, Since the 1st January, 1818, have been deposited, &c., &c., &c. (Washington, 1822) (serial 66), 60.

¹⁹Redlich, Molding of American Banking, Part II, 4-5.

²⁰Quotation in Bray Hammond, Banks and Politics in America (Princeton, New Jersey, 1957), 688.

the actual stock and deposits."²¹ Thus the government's \$40,000 deposit in the bank could have meant as much as \$80,000 in circulating currency, a considerable sum for a bank whose stockholders as late as 1834 had paid in only \$150,000 of its authorized \$500,000 in capital. The final withdrawal of treasury deposits in 1830 and the subsequent suspension of the bank's operation tends to support the importance of the deposit to the operation of the Farmers and Mechanics' Bank and the economic development of Madison.

Although agitation for a second state bank began as early as the late 1820s, President Jackson's veto in 1832 of the bill to recharter the Bank of the United States hastened its formation. As Governor Noah Noble wrote in 1837, "The establishment of the State Bank of Indiana was rather a matter of necessity than choice; and that necessity grew out of the discontinuance of the late National Bank."²² The currency of the Bank of the United States had circulated freely within the state from its branches in Cincinnati and Louisville. Withdrawal of that currency from circulation obliged the state to furnish its citizens "with a substitute."²³ Promoters of state banking introduced the bill for a state bank into the Indiana Legislature in the winter of 1832. A long and often acrimonious debate followed, culminating in "An Act establishing a State Bank" approved by the General Assembly January 28, 1834.²⁴ Governor Noble proclaimed the Second State Bank in

²¹Ewbank and Riker, eds., Laws of Indiana Territory, 751.

²²Dorothy Riker and Gayle Thornbrough, eds., Messages and Papers Relating to the Administration of Noah Noble, Governor of Indiana 1831-1837 (Indianapolis, 1958), 589.

²³Ibid.

²⁴General Laws of Indiana (1834-1835), 12-38.

operation on November 19, 1834.²⁵ The Madison Branch of the State Bank opened its doors late in November 1834.²⁶ This branch continued for over twenty of the most important years in the economic development of Madison, and for this reason it stands out as Madison's foremost bank before the Civil War.

The Second State Bank of Indiana was a monopoly until the 1850s. Under the old constitution no other bank could be chartered. For this and other reasons much antagonism grew up in the state against the State Bank, an antagonism that found release in the state constitutional convention of 1850-1851. The new Indiana Constitution of 1851 prohibited any bank's being chartered for more than twenty years. Since the twenty-year charter of the State Bank expired on January 1, 1855, the constitutional provision meant the end of the State Bank. To replace the old banking system the General Assembly called for creation of new commercial banks under a general banking law in 1852.²⁷ By the terms of this law and as it was amended in 1855, the third of Madison's banks, the Indiana Bank, opened for business early in October 1853.²⁸

²⁵Messages and Papers of Noah Noble, 312-13. A law passed in January 1817 at the first session of the State legislature made the Vincennes bank a state institution like that of Kentucky. It was to have fourteen branches, to accommodate the fourteen districts, into which the state was divided. This was the first state bank of Indiana. The Farmers and Mechanics' Bank could have become a part of this state bank, but its officers and stockholders declined. Logan Esarey, "State Banking in Indiana, 1814-1873." Indiana University Studies, I (April 15, 1912), 226-28.

²⁶Madison Republican and Banner, November 24, 1834.

²⁷"Article XI, Constitution of Indiana," The Revised Statutes of the State of Indiana, Passed at the Thirty-Sixth Session of the General Assembly (Indianapolis, 1852), 65-66.

²⁸Madison Daily Courier, October 5, 1853.

The Constitution of 1851 further provided that "the General Assembly may also charter a bank with branches" if the state owned none of its stock. Under this provision the opening of the Madison Branch of the Bank of the State of Indiana, the so-called Third State Bank, followed the closing of the Madison Branch of the Second State Bank--the latter ceased operation in its bank building on January 1, 1857, the former began there the next day.²⁹ Although the charter of the Second State Bank did not require it to stop discounting and to begin calling in its circulation until January 1, 1857, promoters of a new state bank began the movement for a charter as early as 1854.³⁰ The bill for a new charter passed the General Assembly in February 1855 and over the Governor's veto became law the following month.³¹ Organization of the Madison Branch followed quickly; its promoters completed the sale of stock in July and elected officers in October 1855.³² Apparently, from then until January 2, 1857, events took a somewhat more leisurely course, the main business of the new bank being the transfer of stock from the promoters to the old investors in the Madison Branch of the Second State Bank.³³ In full operation only a short while before the Panic of 1857, the Madison Branch survived this short, though severe, crisis. Both the Madison Branch and the Indiana Bank operated under charters permitted by the Constitution of 1851, until reorganized

²⁹ Ibid., January 6, 1857; July 21, 1857.

³⁰ Esarey, "State Banking in Indiana," 288-96.

³¹ General Laws of Indiana (1855-1857), 229-51.

³² Madison Daily Courier, July 10, 1855; October 27, 1855.

³³ Madison Branch of the Bank of the State Stockholder's Receipt Book (Archives, Madison Bank and Trust Company, Madison, Indiana).

soon after the Civil War as national banks.³⁴

The state chartered the Madison Insurance Company in January 1831³⁵ and included among its early directors were William Dutton, George W. Leonard, John Alling, and Howard Watts. The state authorized the company as "an office of discount and deposit" in February 1832,³⁵ but whether it performed these banking functions before 1850 is unknown. No mention of it as a bank has been found in contemporary records before that date and in 1845, when it resumed operation after suspension of business for an undetermined time, it did so as an insurer "against the damages of the river and against fire...and all other insurances common to the Offices in the West."³⁶ Apparently, not until April 1850 did it "open its offices for discount and deposit and the transaction of a General Banking Business."³⁷ The company operated throughout the decade and in 1861 the agent in Madison for the Mercantile Agency reported it "perfectly safe and reliable."³⁸

The state also chartered the Firemen and Mechanics' Insurance Company in January 1850, but it did not function as a bank of discount and deposit until December 1850.³⁹ From then until 1856 its business was "well managed"

³⁴Esarey, "State Banking in Indiana," 296.

³⁵General Laws of Indiana (1831-1832), 143.

³⁶Madison Weekly Courier, April 5, 1845.

³⁷Madison Daily Courier, May 9, 1850. Banking functions performed by Madison's insurance banks included receiving deposits for which interest was paid; buying and selling gold and silver, and uncurrent bank notes; providing exchange on eastern cities; and discounting notes and bills, on good security. Madison Daily Courier, May 5, 1852.

³⁸Mss. Credit Reporting Ledger, 111.

³⁹Local Laws of Indiana (1849-1850), 545-50; Madison Daily Courier, March 20, 1851.

and successful but in that year David White, who held half the \$100,000 capital stock in the company, experienced financial difficulties. White was a large investor in E. S. Baker Brothers, New York provision dealers. Their failure in March 1856 brought on his bankruptcy and with it the failure of the Firemen and Mechanics' Insurance Company. The representative of the Mercantile Agency described White as "very enterprising, and pushing; and makes large profits, or losses."⁴⁰ White's losses produced the one known failure of a Madison banking house. The Firemen and Mechanics' Insurance Company closed its doors on March 22, 1856, and not until it was reorganized in 1867 does the agent for the Mercantile Agency again report on the company, when he described it as "very successful & good."⁴¹

Then as now banks functioned as semi-public institutions, providing credit for promotion and expansion of business, and in the antebellum period, through their currency, a medium of exchange. They were business enterprises in their own right with the object of making a profit for shareholders.⁴² Madison's commercial banks performed well the function of providing business with a sound currency. In 1855 during one of the currency crises in the West, the Madison Courier boasted that "the bills of the Indiana Bank and the Branch of the State Bank in this city are equal in value with gold coin."⁴³ In large measure Madison banks achieved the sound money condition called for by Governor Noble. Their currency was "equal in value with gold,"

⁴⁰Mss. Credit Reporting Ledger, 27; Madison Daily Courier, March 12, 1856.

⁴¹Mss. Credit Reporting Ledger, 72.

⁴²Redlich, Molding of American Banking, Part I, 43-44.

⁴³Madison Daily Courier, January 22, 1855.

through judicious limitation of their issues.

Each of the bank charters under which Madison commercial banks operated restricted currency issues to a multiple of bank capital or bank capital and deposits. The charter of the State Bank in 1834 stated that "It shall not be lawful for said Bank and branches at any time to... owe or be indebted in a larger sum than twice the amount of its capital paid in, exclusive of sums due on deposit; nor shall any branch at any time have due or owing it, or be indebted, exclusive of deposits, in a larger sum than twice the amount of its capital stock actually paid in...."⁴⁴

A similar proviso, based on a multiple of two, limited the issue of the Farmers and Mechanics' Bank and the Madison Branch of the Third State Bank. The general banking law of 1852 under which the Indiana Bank operated, required that "for every one hundred and ten dollars worth of stock or bonds," i.e., government securities, deposited with the Auditor of State, "only one hundred dollars, in notes of different denominations" might be issued.⁴⁵

The scandalous history of many of the Free Banks formed in the 1850s under the general banking law, the failure of the Vincennes Bank in the early 1820s and suspension of the Lawrenceburg Branch of the State Bank in 1843, all suggest that charter limitations alone did not secure a "sound" currency.⁴⁶ This required adherence to the spirit as well as the letter of the law, and the practice of banking according to principles that experience proved best.

⁴⁴General Laws of Indiana (1833-1834), 32.

⁴⁵General Laws of Indiana (1855-1857), 34.

⁴⁶Esarey, "State Banking in Indiana," 279-87; Logan Esarey, "The First Indiana Banks," Indiana Magazine of History, VI (Dec., 1910), 144-58; William F. Harding, "The State Bank of Indiana," Journal of Political Economy, IV (Dec., 1895), 32.

Throughout the antebellum period Madison banks generally followed a policy that kept their circulation within the limits provided in their charters. A review of the operations of the Madison Branch of the State Bank (Appendix A) suggests how closely it adhered to restrictions on issue. During the early years, the Madison Branch tended to hold its circulation well below the legal limit. On November 19, 1836 its circulation was \$280,000, although it had over \$200,000 in stock paid in. Following the Panic of 1837, on November 17, 1838, the branch expanded its currency, but with the depression that began in 1839 the bank contracted. Circulation reached the lowest ratio on November 19, 1842, when, with over \$300,000 in capital paid in, circulation was only \$131,009. By November 18, 1843, another period of cautious expansion began that continued to November 15, 1845, when circulation to capital paid in reached a ratio of approximately 1.85. Thereafter, except for October 31, 1853, when the ratio dropped to 1.53, the bank tended to hold its circulation at the 1845 level.

Madison's other banks followed a similar circulation policy. In 1855, although the Indiana Bank had deposited with the Auditor of State \$119,500 in stock, it circulated only \$55,300 in bank notes or slightly more than half of that authorized under the law.⁴⁷ Similarly the Madison Branch of the Third State Bank, whose charter allowed an issue of "twice the amount of the capital actually paid," in 1858 circulated \$254,800 while having \$150,000 in capital.⁴⁸ Although little is known about the circulation

⁴⁷ Indiana Documentary Journal (1854-1855), 424.

⁴⁸ Madison Branch of the Bank of the State of Indiana, Directors' Journal No. 2 (Archives, Madison Bank and Trust Company, Madison Indiana), 4.

policy of the Farmers and Mechanics' Bank, Figure 1 above does suggest that the bank followed an equally cautious policy.

A still better measure by which to judge the operation of a bank's directors and officers is the ratio of specie to circulation and deposits, since all of a bank's liabilities, i.e., deposits and circulation, had to be paid in specie. Few bankers of that period, even the most conservative ones, considered deposits in relation to specie reserves. Antebellum bankers thought of specie reserves only in terms of their circulation. They regarded a specie reserve of twenty to thirty percent of their note issue as safe, and in practice often maintained only a five to ten percent reserve.⁴⁹

Madison banks retained specie reserves considerably above the level thought necessary to maintain a sound currency, especially during the early years. From the founding of the Madison Branch of the Second State Bank to 1837 the amount of specie to circulation remained relatively high (Appendix A), reaching approximately \$120,000 to \$177,000 on November 18, 1837. Contraction of issue coupled with suspension of specie payment in May 1837 had brought the reserve to its highest level in the antebellum period. Resumption of specie payment in August 1838 decreased reserves and an increase in issue led to a reduction of \$94,000 in specie to \$335,000 in circulation on November 16, 1839. The Madison bank along with the other state banks again suspended in November 1839 and did not resume specie payment until ordered to do so by the state legislature in June 1842. Resumption of payment led to a further reduction in specie reserves bringing the reserve of the Madison bank to approximately \$53,000 to \$340,000

⁴⁹Redlich, Molding of American Banking, Part II, 2-4.

on November 18, 1843. Thereafter the reserve rapidly rose above the theoretical safe level to approximately \$65,000 to \$297,000 on November 16, 1844. In 1845 the specie reserve declined again in relation to circulation and until 1848 fluctuated below the safe level. From 1848 to 1854 the bank's ratio of specie to circulation never declined below twenty percent and at one point on October 31, 1853 rose as high as approximately \$112,000 to \$327,000. On November 24, 1855 and December 31, 1856, during the last two years of the bank's existence, the ratio of specie to circulation fell below the safe level to approximately \$61,000 to \$425,000 and \$75,000 to \$422,000 respectively, primarily as the result of a sharp increase in note issue. Thus, the bank allowed its specie reserve to fall below the twenty percent safe level during only six of its 22 years and never below the ten percent level; conversely, the ratio had remained above the twenty percent level sixteen of the 22 years and above the thirty percent level eight of those years (Appendix A).

Both the Indiana Bank and the Madison Branch of the Third State Bank maintained a high ratio of specie reserve to issue. On July 8, 1857 on the eve of the panic, the Indiana Bank had a specie reserve of \$26,028 and a circulation of \$90,524, and even after the specie drain of the panic the bank on December 31, 1858, had a reserve of \$12,133 to a circulation of \$97,551.⁵⁰ The Madison Branch of the Bank of the State with \$84,689.95 in specie reserve and \$254,800 in circulation, maintained an even higher

⁵⁰ Indiana Bank, Semi-Annual Report, Madison Daily Courier, July 8, 1857; Indiana Bank, State of the Bank Ledger (Archives, First National Bank, Madison, Indiana), 127.

ratio on November 20, 1858.⁵¹ Madison's banks' high levels of specie reserves allowed capital needed for economic growth to lie passive. Admittedly the alternative to Madison's conservative specie policy was not sound currency by some other means, but a less sound currency. But it has been argued that emphasis on specie reserves retarded financial expansion and hindered economic growth.⁵² As maintained in Madison, reserves generally above twenty percent and sometimes above thirty percent may have been costly and unproductive.

Specie reserves shifted from silver to gold during the existence of the Madison Branch of the State Bank (Appendix A). In 1835, when the branch reported a specie reserve of \$82,892, only \$2,064 was in gold. The amount of gold in the bank's specie reserve increased to over \$17,000 in 1838 but began declining in 1839 reaching only \$89 in 1840. The bank's silver reserve declined by \$14,000 in 1839 but regained the loss in 1840 and rose above the 1838 level to almost \$97,000. Thereafter the ratio of gold to silver increased and in 1844 nearly half the specie reserve was in gold. The ratio declined again for several years but rose to a new high of approximately \$48,000 in gold to \$59,000 in silver in 1848 and achieved virtual equality with silver in 1850. Gold surpassed silver as the dominant specie reserve in 1851 and continued dominant through the remaining years of the Madison Branch's existence as well as that of its successors. Doubtless much of this shift resulted from the increase in gold from California, beginning in 1849. By 1854 the positions of the

⁵¹Madison Bank of the State, Directors' Journal No. 2, p. 4.

⁵²George D. Green, Finance and Economic Development in the Old South (Stanford, California, 1972), 4.

two metals had reversed, the bank then held approximately \$77,000 in gold reserves and \$2,000 in silver.

The ability of Madison banks to attract investors improved as they increased the availability of money and demonstrated the profitability of banking. The Farmers and Mechanic's Bank had the greatest difficulty in selling stock because there was very little money, either specie or paper, in the Indiana Territory in 1814.⁵³ Its charter authorized a stock capitalization that "shall not exceed ten thousand shares, of fifty dollars each" but in all probability the bank never approached this level. One contemporary estimated the bank's initial capital to have been "\$75,000, afterwards increased to \$125,000."⁵⁴ The first figure appears too high. The original charter required subscription of 1,000 shares before banking could commence, with five dollars paid in cash at the time of subscription and five dollars within 30 days. All further installments were to be paid in the amount of five dollars per share in response to calls made at the discretion of the president and directors. The Farmers and Mechanics' Bank could have, and probably did, begin operation with a capital of only \$10,000 in cash, which at that time could have meant bank notes or specie.⁵⁵ Remaining installments appear to have been widely spaced and may not have exceeded two. An extant bank stock receipt for five shares, dated September 10, 1816, shows each share as having a par value of twenty dollars, purchased

⁵³Esarey, "First Indiana Banks," 44.

⁵⁴Reminiscence of an early settler, Madison Daily Evening Courier, February 2, 1884.

⁵⁵Redlich, Molding of American Banking, Part I, 14.

with a down payment of four dollars per share.⁵⁶ Stock sales apparently advanced as slowly as stock value, for as late as 1817 the bank offered "one thousand shares of capital stock, on accommodating terms."⁵⁷

The charter of the Farmers and Mechanics' Bank specified that the territory or state, at its discretion, might become a partner in the bank, but it never did. When the state chartered the Second State Bank in 1834 the charter specifically stated that one half of the stock "be subscribed for, and owned by the State of Indiana."⁵⁸ In the 'twenty years that elapsed between the chartering of these two banks both the attitude of the state toward bank investment and the desire and ability of Madison business leaders to invest in banks had changed. The stock book of the Madison Branch was opened at nine o'clock in the morning of April 10, 1834 and "at eleven o'clock in the A. M. of the same day, the whole amount of stock was subscribed on the part of citizens, and one hundred and forty-five shares over!"⁵⁹ Over-subscription of Madison business leaders in their branch bank reflected the increased affluence of the community, and also the generous means of financing subscriptions arranged by the state. In 1814 subscribers had to rely on their own resources; by 1834 the state, the largest single stockholder in the State Bank, provided loans to purchase most of the private capital. Though each share had a par value of

⁵⁶Receipt made out by the cashier of the Farmers and Mechanics' Bank, John Sering, to John Woodfill, dated September 10, 1816 (Richard Johnson, President of the First National Bank, Madison, Indiana).

⁵⁷Madison Indiana Republican, January 23, 1817.

⁵⁸General Laws of Indiana (1834-1835), 28.

⁵⁹Madison Republican and Banner, April 10, 1834.

50 dollars in specie, subscribers with property for collateral might pay only \$18.75 in their own funds and borrow the remaining \$31.25 from the state.⁶⁰

Stock subscription in Madison's other two banks of issue was without aid of the state. On September 10, 1853, nine citizens of Madison met as provided under the Free Banking Act and formed the Indiana Bank, for which they subscribed \$500,000 in stock divided into 10,000 shares of 50 dollars each.⁶¹ Subscription of \$500,000 proved overzealous, particularly on the part of Edwin G. Whitney who subscribed for \$415,000 in stock. Nonetheless by 1855 the Indiana Bank had deposited with the auditor of state \$124,500 in Indiana and other state bonds, for the backing of its currency.⁶²

The other bank that raised its capital without aid from the state was the Madison Branch of the Third State Bank. The state never held stock in this bank nor did it assist subscribers in obtaining capital. Nevertheless, stock subscriptions accumulated with more ease and speed than they had for the Madison branch of the earlier state bank. The charter for the Third State Bank had intended a public sale "between the hours of 9 and 12 A. M." on days specified by the sub-commissioners. No public sale occurred. Instead the five sub-commissioners appointed by the state board of bank commissioners met privately on October 25, 1855, and subscribed

⁶⁰ Samuel Merrill, President of the State Bank, described the process of stock purchase in the Indianapolis Indiana Journal, February 22, 1834.

⁶¹ Records of the Secretary of State, Box No. 245, Paper No. 10 (Archives Division, Indiana State Library).

⁶² Indiana Bank, State of the Bank Ledger, 127.

for 2,000 shares at 50 dollars each.⁶³ The corruption, bribery, and graft that surrounded the new bank from its beginning in the legislature made this patently illegal act possible. Several law suits sought to challenge the legality of the State Bank, but the State Supreme Court "twice decided the charter to have been obtained by fair means or rather that there was not fraud enough to set aside the charter" and the sales stood.⁶⁴ The Madison Branch opened in 1857.

The success of the Madison Branch of the Second State Bank in making money for its investors explains the eagerness and ability to invest in Madison's later banks. Samuel Merrill, in pointing out the advantages of short term over long term loans, wrote in 1835 that such loans "will be found the most profitable to the Bank."⁶⁵ They were: As Hugh McCulloch laconically expressed it, "The profits of the bank were large, but they were legitimate."⁶⁶ Between 1835 and 1842 the dividends of the Madison Branch paid to its stockholders averaged twelve and three-fourths percent per year with the lowest rate, eight percent, paid in 1837, and the largest, 33.75 percent, paid in 1838.⁶⁷ Dividends dropped to a mere three and one-half percent in 1843, but gradually rose again to ten percent in 1847. Thereafter they ranged between ten and fifteen percent for the rest of

⁶³Madison Bank of the State, Directors' Journal No. 2, p. 4.

⁶⁴Fletcher Diary, February 4, 1859; Esarey, "State Banking in Indiana," 288-96.

⁶⁵Indiana Documentary Journal (1833-1834), 61.

⁶⁶Hugh McCulloch, Men and Measures of Half a Century (New York, 1888), 120.

⁶⁷Indiana Documentary Journal (1842-1843), 200.

the bank's existence, except for 1856 when the bank paid a dividend of eighteen percent.⁶⁸ The size of these profits appears from comparison with dividends of the Second Bank of the United States, which averaged seven percent as long as the Bank retained its federal charter.⁶⁹ Dividends paid by Madison's other banks did not equal those paid by the Madison Branch. Dividends of the Indiana Bank and the Madison Branch of the Third State Bank never exceeded ten percent during the antebellum period and frequently barely five.⁷⁰ High profits in banking, like high profits in business, came and went with the best years of Madison's economic development.

Promotion of the town's economic growth came in part through the credit provided by Madison banks. During the early years of Madison, many bank loans, as the name of the Farmers and Mechanics' Bank implies, probably went to farmers for land payment and improvement. The system of public land sales before 1820 made possible the acquiring of title to 160 acres for a cash outlay of \$294.40, after deduction of a discount of eight percent. Lacking necessary cash, a settler might pay for his land in four equal installments spread over as many years, making the first payment at the time he registered the land. Even settlers with the money for a full cash outlay for 160 acres did not find it attractive to pay for a farm entirely at the time of purchase. Many settlers preferred to acquire four times as much land as could be paid for in full with the cash in hand, making

⁶⁸Madison Bank of the State, Directors' Journal No. 2; Indiana Documentary Journal (1856-1857), 266.

⁶⁹Catteral, Second Bank of the United States, 504.

⁷⁰Indiana Bank, State of the Bank Ledger; Madison Branch of the Bank of the State, Dividend Payment Book (Archives, Madison Bank and Trust Company, Madison, Indiana).

only the required first payment of one-fourth. In many cases the buyer even borrowed the money with which to make the first payment.⁷¹ In its petition to the Secretary of the Treasury for public deposits in 1819 the Farmers and Mechanics' Bank indicated the importance of their loans to farmers. They emphasized the hardship "produced amongst the most industrious and deserving class of our emigrant citizens" by unwillingness of the Land Office at Jeffersonville to accept Madison bank credit.⁷²

Land payment and improvement loans probably remained the leading type of Madison bank credit until after the crisis of 1837. Hugh McCulloch, President of the Third State Bank and later federal secretary of the treasury, wrote of the credit business of the Second State Bank that "At the commencement of its business, when the agricultural productions of the State did not much exceed the demand for home consumption, a large part of the loans were necessarily to men who were buying or improving lands." The depression from 1837 to 1843 "affected all classes, but the greatest sufferers, next to the day laborers," he wrote, "were the farmers." The State Bank did not experience any significant losses from their farm credit, but these loans "were sluggish and unreliable." When the economy revived the Bank began to shift its credit business from farm payment and improvement loans to produce marketing, "mainly confined to bills of exchange, based upon produce shipped or to be shipped to Eastern or Southern Markets."⁷³ Samuel Merrill, President of the State Bank, reported in 1841 that the

⁷¹William O. Lynch, "An Early Crisis in Indiana History," Indiana Magazine of History, XLIII (June, 1947), 111-12.

⁷²Letters from the Treasury Department (1824), 493.

⁷³McCulloch, Men and Measures, 116-17.

State Bank loaned less to farmers than to exporters and merchants. In that report he noted that the bank had made loans of \$1,111,747 to exporters of produce, \$982,602 to merchants, and \$874,999 to all others.⁷⁴

The earliest available report of the Madison Bank from which identification of borrowers can be made appeared in 1842. In answer to a question on the loans made by the bank, the cashier reported that "the largest amount has been made to citizens of the town; next, to the county; next, in the bank district; and next, without the district."⁷⁵ Among "citizens of the town," merchants and businessmen were the most numerous and largest borrowers. In the list of 321 loans included in the cashier's report that identified the borrowers by name, more than half were Madison merchants and businessmen. Most numerous, they borrowed the most money; Benjamin Hubbs, a wholesale and retail dry goods merchant had obtained five loans totaling \$4,450.⁷⁶ A similar list of borrowers in 1848 indicated merchants and businessmen as the major borrowers.⁷⁷

"A bank, has been established," wrote Samuel Merrill, concerning the founding of the State Bank in 1834, "and not a loan office." The best policy would be "To make loans for short periods and for special purposes." In this manner banks would "accommodate the greatest number of customers" and "suit the business of those who are taking the productions of the

⁷⁴Indiana Documentary Journal (1841-1842), 109.

⁷⁵Ibid. (1842-1843), 196.

⁷⁶Ibid., 314-28.

⁷⁷State Bank Papers, Miscellaneous (Archives Division, Indiana State Library).

country to a market."⁷⁸ Whether this policy was followed as early as 1834 is not known, but the cashier of the Madison Branch reported in 1842, "60, 90, & 120 days, is the most common time for notes to run."⁷⁹ Short term loans, as they developed in Madison and elsewhere suited the needs of merchants who became the banks' largest borrowers.

As important as banking policy in giving merchants access to bank loans was the fact that the merchants largely owned and controlled Madison banks. Constantly faced with problems of credit, deposit, and currency exchange and redemption, merchants more than anyone else saw the need and value of banks and banking services. Estimates suggest that from two-thirds to three-fourths of those associated with American banking as stockholders, directors, and officers were merchants.⁸⁰ In antebellum Madison merchants represented the largest group of bankers. This was probably true from the beginning, but certainly it was the case from the formation of the Madison Branch of the Second State Bank in the mid 1830s.⁸¹

⁷⁸ Indiana Documentary Journal (1834-1835), 61-62.

⁷⁹ Ibid. (1842-1843), 195.

⁸⁰ Lewis E. Atherton, "The Pioneer Merchant in Mid-America," The University of Missouri Studies, XIV (April 1, 1939), 24; Glenn Porter and Harold C. Livesay, Merchants and Manufacturers (Baltimore, 1971), 72.

⁸¹ Identifications of stockholders, officers, and directors of Madison's banks of issue have come from numerous sources. These have included correspondence of bank officers with the Secretary of the Treasury, bank journals, newspaper reports, private lists such as that in the possession of H. Brooklyn Cull, of Madison, Indiana, and printed public sources such as the bank charters and the "Report of President of the Sinking Fund Commissioners as to Mortgages Given Stockholders," Indiana Documentary Journal (1837-1838), 5-6. Occupations and birth places of these persons have come primarily from the United States Census for 1850, newspapers, and reminiscences such as William Wesley Woolen's Biographical and Historical Sketches of Early Indiana (Indianapolis, 1883).

No complete record has been discovered of the stockholders in the Farmers and Mechanics' Bank, but a partial list of sixteen of its officers and directors has been identified.⁸² Since officers and directors of later Madison banks were stockholders in the banks, it appears reasonable that these sixteen were stockholders in the Farmers and Mechanics' Bank. Of the sixteen, twelve were merchants and four were lawyers. Both John Paul and Victor King, its only known presidents, were merchants, as was John Sering, its first cashier.

Complete lists of stockholders in Madison's later banks establish the importance of merchants in providing capital for Madison banking. In 1838, 46 persons held stock in the Madison Branch of the State Bank, of whom 39 lived in Madison.⁸³ Occupations are known for 36 of these residents: 29 were merchants, five were lawyers, one was a doctor, and one a preacher. Some of Madison's oldest and most important merchants, such as the Kings, William Dutton, and Jesse Whitehead, held stock in this bank. In 1854 seventeen persons held stock in the Indiana Bank, of whom twelve lived in Madison. The occupations of eleven are known: all eleven were merchants, among them E. G. Whitney, Samuel Polley, and E. R. Butler. Thirteen persons, of whom eleven were Madison residents, held stock in the Madison Branch of the Third State Bank in 1857.⁸⁴ Seven were merchants, among

⁸²Ewbank and Riker, eds., Laws of Indiana Territory, 752; Letters from the Treasury Department, 493; Madison Indiana Republican, September 27, 1832.

⁸³Madison Branch of the State Bank of Indiana, Report of Amount of Stock in Bank for 1838 (H. Brooklyn Cull, Madison, Indiana).

⁸⁴Madison Bank of the State, Stock Certificate Book (Archives, First National Bank, Madison, Indiana); Directors Journal No. 2; Madison Bank of the State, Dividend Book (Archives, First National Bank, Madison, Indiana).

them Nathan Powell, W. G. Wharton, and John King; one was a doctor, one a steamboat captain, one (the daughter of Lanier) a housewife, and one a public official.

Merchants not only represented the largest group of investors in Madison banks, they provided the largest group of bank administrators. The known officers and directors of the Farmers and Mechanics' Bank have been discussed. Of the 39 men known to have served as officers and directors of the Madison Branch of the State Bank from 1834 to 1856, the occupations of 32 are known: 25 were merchants, five were lawyers, one was a doctor, and one a deputy postmaster. A number of merchants served several terms as directors, and a few, such as Jesse Whitehead and Benjamin Hubbs, who served consecutive terms from 1844 to 1854, served many terms. Fourteen men served as officers and directors of the Indiana Bank from 1853 to 1860. Occupations of twelve are known: eleven were merchants; one was a lawyer. Like directors of the Madison Branch of the Second State Bank, merchant-directors of the Indiana Bank such as Charles L. Shrewsbury and A. W. Pitcher served many terms as directors. The Madison Branch of the Third State Bank from 1857 to 1860 had ten resident officers and directors of whom seven were merchants; one was a doctor, one a steamboat captain, and one, its president, Joseph M. Moore, had been a deputy postmaster.

Merchants unquestionably were important in Madison banking throughout the antebellum period, as investors, officers, and directors. Lawyers, who ranked second in importance to merchants, had a large role. This was the case in Madison's early commercial banks, the Farmers and Mechanics' Bank and the Madison Branch of the Second State Bank. Milton Stapp and Lanier

were lawyers who served as cashiers of the Farmers and Mechanics' Bank and in 1834 became cashier and president respectively of the Madison Branch of the Second State Bank. Lanier, Stapp, and William Hendricks, a lawyer, were the largest single stockholders in that bank, owning 626, 178, and 372 shares of stock respectively. These 1,176 shares of stock in 1838 represented nearly half the 2,516 shares owned by all Madison residents combined.⁸⁵ In 1854 none of the Madison investors in the Indiana Bank was a lawyer, and in its antebellum existence only one of its officers, O. S. Pitcher, was a lawyer.⁸⁶ Lanier was the only lawyer associated with the operation of the Madison Branch of the Third State Bank and he had left Madison permanently in 1851.

It is not clear why lawyers as a group tended to withdraw from association with Madison commercial banks since they maintained a long and continued association with insurance banks. Michael G. Bright, a wealthy Madison lawyer had a long and active association with the Madison Insurance Company, as did William McKee Dunn with the Firemen and Mechanics' Insurance Company. The division of lawyers between commercial banks and insurance banks does not appear to represent a political Whig-Democrat split in Madison banking. Lanier and Stapp of the Madison Branch of the Second State Bank, E. R. Butler and Phillip Scheik of the Indiana Bank, and Howard Watts and W. G. Wharton of the Madison Branch of the Third State Bank, all large stockholders and active as officers and directors in their respective banks, were Whigs. This Whig dominance of commercial banks did not extend to insurance banks

⁸⁵Madison Branch, Report of Stock for 1838.

⁸⁶Indiana Bank, Journal A (Archives, First National Bank, Madison, Indiana), 1-30.

Sullivan and Lanier's son-in-law, William McKee Dunn, both Whigs, served as officers of the Firemen and Mechanics' Insurance Company, as did Riley E. Stratton, a Democrat. Similarly a Democrat, Michael G. Bright,⁸⁷ served along with Joseph G. Marshall, a Whig, as director of the Madison Insurance Company, of which William Hendricks and Milton Stapp served as president and secretary.⁸⁸ Apparently politics, among lawyers at least, did not interfere with business or serve as the basis for the creation of competitive banks in Madison.

Although political labels do not appear to form a basis for banking divisions in Madison, identification of bank directors and officers based on place of birth may. The officers and directors of Madison's commercial banks were born in four general regions: the East--New York, Pennsylvania, and New England; the South--Virginia, Maryland, Kentucky, and North Carolina; the West--Ohio and Indiana; and outside the United States, particularly in Scotland, England and Ireland. Table I reports the regional place of birth of officers and directors of banks whose birthplace is known. As the table indicates, southern born persons, particularly from Kentucky and Maryland, often dominated early Madison banking. With the Madison Branch of the Second State Bank the influence of men born in the South declined and the influence of those born in the East increased, particularly from New York, so that its officers were almost equally divided between South and East.

⁸⁷Bright subscribed for 1,200 shares of stock in the Madison Branch of the Bank of the State, which he sold to Lanier prior to the bank's opening. Madison Bank of the State, Directors' Journal No. 2, p. 4.

⁸⁸Political party affiliations come from newspaper reports and biographical sketches of state legislators in the William H. English Collection (Indiana Historical Society, Indiana State Library).

Table I. Nativity of Officers and Directors of Madison Banks 1814-1860.

	FMB (N=12)	SBIM (N=32)	IB (N=10)	BSIM (N=10)	Total (N=64)
South	8	12	1	5	26
East	3	11	6	2	22
West		5	2	2	9
Foreign	1	4	1	1	7
Total	12	32	10	10	64

Source: U. S., Manuscript population census for 1850s; manuscript population census for 1860; newspaper reminiscences and obituaries; county histories; memoirs; autobiographies; and biographies.

Among the officers of the Farmers and Mechanics' Bank (FMB) only John Paul had come from the East; all its cashiers and most directors were from the South. In the Madison Branch of the Second State Bank (SBIM) the southern influence continued among its officers; with Lanier from North Carolina its first president, and Milton Stapp from Kentucky and John Sering from Maryland its first cashiers. Eastern influence increased among its directors, however. In 1853 a group of these eastern directors of the Madison Branch took advantage of the General Banking Law and formed the Indiana Bank, with E. G. Whitney as its first president. Bank management in Madison now appeared to divide between southern and eastern leadership. When the charter of the Madison Branch of the Second State Bank expired in 1857 the new Madison Branch of the Third State Bank (BSIM), as indicated in Table I, organized around the southern faction of the old bank. Lanier chose the president of the new bank, Joseph M. Moore, a New Yorker, as he had chosen his own successors in the earlier Madison Branch, his

sons-in-law, James Winslow and W. M. Bunn.⁸⁹

The growth of an eastern faction, perhaps more than politics, explains the rise of competitive banking in Madison, but too much should not be made of this. The sectional division of Madison banking may only have been incidental to Lanier's long control of local banking. Lanier had been a powerful influence in Madison banking since the inception of the Madison Branch of the Second State Bank and his removal to New York in 1849 had not lessened that influence. It seems reasonable that eastern-born merchants, rankled by Lanier's dominance of both the policy and the profit of the old Madison Branch, sought their own bank. Neither politics nor sectionalism, but simply the business of business, the desire for profit, may have prompted the rise of competitive banking.

Madison banks provided business with credit and a sound currency but in doing so never adequately provided enough money to satisfy business needs. Dunning notices, such as the following, appeared frequently in its newspapers during Madison's early years:

Take the
HINT
I want money and
must have it.⁹⁰

The scarcity of money reflected in this plea caused many merchants to resort to barter in such so-called cash articles as tobacco, whiskey and grain, in order to carry on business.⁹¹ Madison merchants exchanged groceries and

⁸⁹Calvin Fletcher Diary, October 7, 1859, Fletcher Papers (Indiana Historical Society, Indiana State Library).

⁹⁰Madison Indiana Republican, February 17, 1820; June 5, 1819; July 13, 1820.

⁹¹Ibid., September 28, 1820.

dry goods for produce, reducing the necessity of disposing of their wares for money, but they never completely escaped its need. The scarcity of coins for change caused some merchants to circulate small promisory notes. One such note stated:

I promise to pay H. Ristine, on order, on demand, Seventy-five Cents in current Bank Paper at the Bank of Madison, for I. T. Canby, R. Branham & V. King.

John King, Cashier

Reportedly this one firm circulated about \$500 in small notes.⁹²

Operation of the Madison Branch of the State Bank eased the money situation in Madison in the mid 1830s but the Panic of 1837 and the depression that followed returned money scarcity to Madison. In 1844 the local newspaper reported the lack of "cash" in Madison because of "hard times."⁹³ The prosperity of the mid and late 1840s that brought with it business expansion did not make money readily available. As late as 1846 money remained "an article in great demand."⁹⁴ Thereafter Madison newspapers ceased for a few years mentioning the scarcity of money but in 1850 that subject was back in the news.

During the intervening years Madison business experienced a marked expansion that the money supply had not equalled (Appendix A). In the pork packing industry alone rail imports of live hogs increased almost five times in the years 1846 to 1851. During the 1845-1846 season the Madison and Indianapolis Railroad had brought only 20,798 hogs into

⁹² Ibid., August 21, 1819.

⁹³ Madison Weekly Courier, August 24, 1844.

⁹⁴ Ibid., September 26, 1846.

Madison, but by the 1851-1852 season the number reached 94,982.⁹⁵

Through the eighteen fifties Madison newspapers reported money fluctuating from scarce to abundant, but after 1853 these reports more often indicated that it was hard to find than that it was plentiful. Even with the opening of the Indiana Bank in 1853, which then provided Madison with two commercial banks, the newspaper reported a "stringency unknown in this market in money for some time....Currency is scarce, so is gold."⁹⁶ Money by 1860 remained scarce in Madison but business had so declined that it no longer presented a need. As the Courier reported, "Money in Madison is scarce but the demand for it [is] moderate."⁹⁷

The decline in Madison business between 1853 and 1860 was serious. The ledger of the Mercantile Agency of New York listed some 300 businesses that had gone out of existence between 1844 and 1860. Fewer than 100 of these disappeared in the nine years prior to 1853, while more than 160 of them went out of business in the five years between 1853 and 1857.⁹⁸ Large as well as small businesses failed during this period. The bankruptcy in 1856 of David White, Madison's leading pork packing merchant, represented an all too common occurrence. Not all those who went out of business did so because of bankruptcy. F. E. Corey, a dry goods merchant "sent his stock away to Illinois" in 1856 and left Madison with about \$30,000 that

⁹⁵Madison Railroad, Third Annual Report (1845), 6-7; Ninth Annual Report (1851), Appendix.

⁹⁶Madison Daily Courier, October 18, 1853.

⁹⁷Ibid., November 8, 1860.

⁹⁸Mss. Credit Reporting Ledger, 389-400.

he used to start a new business in Chicago.⁹⁹ In surveying the economic havoc of the Panic of 1857, the editor of the Madison Courier observed "some consolation, in these hard times, in the fact that Madison has not been a fast city during the last half decade; having been on our backs so long, we are used to it, and it enables us to see the stars falling around us."¹⁰⁰

A report of the Mercantile Agency representative in Madison, who identified himself only with the initials "T. L. S.," dramatically conveys the fate of one of those who chose to stay in Madison as its economy began to decline. The agent's reports on the commission and produce merchants, Charles Shrewsbury and John M. Price, read as follows:

[July, 1849] Command a lar cap do a lar bus "P" had RE wor \$10,000 cr excellent. "S" was formerly in the firm of "Woodburn & S." Jan 50 do a large bus and largely in the pork trade, and in fine cr. "P" has 6 or \$7,000 and "S" 20 to \$30,000 RE....Nov 25/57 Have mortgd thr ppy for \$60,000. Mortgages on their property amount to about \$161,000 are not doing much & will probably close up.... Jun 25/58 They are still doing bus & thr ppty remains under mortgage....Feb 3/59 Bust no good."¹⁰¹

Calvin Fletcher wrote of Madison in 1854 that "it has had its best days," and so it had.¹⁰² Decline in profits of the Indiana Bank and the Madison Branch of the Third State Bank paralleled the economic decline of

⁹⁹Ibid., 41.

¹⁰⁰Madison Daily Courier, October 16, 1857.

¹⁰¹Mss. Credit Reporting Ledger, 39; The quotation with its abbreviations has been left unaltered because it is readily interpreted, but even more because T. L. S.'s laconic staccato style graphically portrays the reversal in the economic fortunes of Madison that occurred in the middle years of the decade.

¹⁰²Fletcher Diary, October 12, 1854.

Madison. Banks had fostered and profited from economic growth by providing credit and a sound currency for business and industry, but business, industry, and the need for banks and banking depended on the trade and commerce of Madison's hinterland. When that declined, as it did in the 1850s, so did business and banking.

Appendix A--Monetary Variables, Madison Branch of the State Bank of Indiana, 1834-1856.

Date	Specie		Circulation	Capital Stock		Loans and		Deposits
	Silver	Gold		Paid In	Discounts			
Dec. 5, 1834	\$ 80,827.88	\$ 2,064.37	\$ 77,395	\$ 80,000	\$ 108,151.25	\$ 11,020.31		
Nov. 21, 1835			195,255	140,000	260,077.17	52,355.25		
Nov. 19, 1836	137,742.46	9,875.00	280,000	202,996	439,639.23	397,789.76#		
Nov. 18, 1837	102,303.55	17,716.67	176,960	240,000	453,239.70	188,708.64#		
Nov. 17, 1838	96,005.33	17,769.18	318,470	240,000	455,258.06	143,148.32#		
Nov. 16, 1839	82,222.58	12,084.84	334,875	318,150	579,590.38	43,985.57#		
Nov. 21, 1840	96,865.96	89.59	266,625	323,750	423,921.87	38,301.18#		
Nov. 20, 1841	89,684.54	789.37	196,280	318,150	373,762.92	26,958.34		
Nov. 19, 1842	51,322.31	1,866.94	131,009	314,250	206,776.48	30,559.22		
Nov. 18, 1843	47,836.78	5,402.50	340,000	222,100	173,956.68	48,896.78		
Nov. 16, 1844	43,837.24	21,580.43	296,988	220,250	202,884.44	87,525.91		
Nov. 15, 1845	49,725.24	12,173.91	405,203	212,550	294,635.55	82,578.67		
Nov. 21, 1846	69,043.82	12,992.64	414,432	212,550	307,058.66	68,948.80		
Nov. 20, 1847	48,463.97	8,901.13	411,459	212,550	372,562.61	100,770.20		
Nov. 18, 1848	58,505.71	47,556.88	388,194	212,550	493,392.05	93,438.96		
Nov. 17, 1849	77,996.58	15,710.00	419,993	212,550	548,610.53	110,422.91		
Nov. 16, 1850	50,138.58	48,641.95	374,711	212,550	552,925.52	88,114.29		
Nov. 15, 1851	5,141.16	102,860.99	404,278	212,550	514,047.95	93,441.00		
Nov. 20, 1852	10,746.30	66,367.93	392,349	212,550	613,577.89	122,645.31		
Oct. 31, 1853	111,898.40*		327,298	212,550	524,932.78	73,247.81		
Oct. 31, 1854	2,266.30	76,521.34	366,031	212,550	274,554.44	91,171.33		
Nov. 24, 1855	2,239.97	58,967.47	425,011	212,550	592,271.41	66,554.54		
Dec. 31, 1856	2,144.96	72,553.91	421,833	212,550	534,539.77	78,059.65		

*Separate figure for gold and silver not reported.

#Includes U. S. Treasury deposits.

Source: Annual Reports of the State Bank of Indiana to the General Assembly, found in Indiana Documentary Journal (1834-1856).